

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** July 9, 2007  
**POSITION:** Neutral

**BILL NUMBER:** SB 742  
**AUTHOR:** D. Steinberg

### **BILL SUMMARY:** Off-Highway Motor Vehicle Program

The Off-Highway Motor Vehicle Program (OHV Program) manages off-highway recreation in a manner that protects California's natural resources. This program will sunset on January 1, 2008. This bill would: (1) extend the sunset date of the OHV Program to January 1, 2013, (2) increase the special off-highway vehicle registration/renewal fee from \$8 to \$50, (3) increase membership of the Off-Highway Vehicle Commission (OHV Commission), and (4) make other significant changes to the OHV Program.

### **FISCAL SUMMARY**

The Department of Parks and Recreation (Parks) estimates that the proposed fee increase, on average, would generate approximately \$23.1 million per year in additional revenue to the OHV Trust Fund.

Parks also estimates that the ongoing cost to expand the OHV grant program, develop of the proposed guidelines, and implement other requirements in this bill would be \$20.4 million and 204 positions. These costs would be funded from the OHV Trust Fund.

The Department of Motor Vehicles (DMV) estimates a one-time implementation cost of \$1 million Motor Vehicle Fuel Account to revise current OHV license plate and registration fee schedule. However, the ongoing costs would be minimal.

This bill would also revise the methodology for determining the amount of fuel tax revenue that is annually transferred to the OHV Trust Fund. The revenue impact of this methodology change is unknown.

### **COMMENTS**

Finance is neutral on this bill because it would extend the OHV Program beyond January 1, 2008 and would allow fee revenue to fully fund a program expansion, and consequently would have no General Fund impact.

Parks administers the OHV Program to provide off-highway recreation and protect natural resources. Common OHVs include dirt bikes, all-terrain vehicles, snowmobiles, and dune buggies. Currently, Parks operates eight state vehicular recreation areas.

The OHV Program will sunset on January 1, 2008. This bill would extend the Program to January 1, 2013, and would make a number of significant revisions to various aspects of the Program.

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Analyst/Principal (0633) M. Almy	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

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**ANALYSIS****A. Programmatic Analysis**Extension of the OHV Program

Under existing law, the OHV Program is scheduled to sunset on January 1, 2008. This bill would extend the Program to January 1, 2013

Off-Highway Motor Vehicle Commission

Existing law establishes the OHV Commission, which is composed of seven members, three of whom are appointed by the Governor and four by the Legislature. The OHV Commission reviews and approves all minor and major capital outlay expenditures for Parks' state vehicular recreation areas, and approves of all OHV local assistance grants.

This bill would increase the membership on the OHV Commission from seven to nine, five of whom would be appointed by the Governor and be confirmed by the Senate. The bill would also change the role of the Commission by removing its authority to approve the OHV grants, and removing the Commission's authority to approve all major and minor capital outlay expenditures of the OHV Division. Instead, the bill would authorize the Director of Parks to approve all the OHV grants. The bill is silent on who would have the authority to approve capital outlay projects.

This bill would also require the OHV Commission to submit a report on the OHV Program to the Governor and the Legislature by January 1, 2011, and every three years thereafter.

Off-Highway Motor Vehicle Division

The Off-Highway Motor Vehicle Division (OHV Division) within Parks is responsible for managing state vehicular recreation areas and implementing the OHV Program.

This bill would require the OHV Division to: (1) complete an OHV strategic planning process by January 1, 2009, (2) provide information, such as OHV recreation opportunities, OHV laws and regulations, and safety information, on its website, and (3) work with OHV retailers and associations to distribute the information and increase awareness of the resources available. This bill would also require the OHV Division to develop eligibility guidelines for its law enforcement projects. Furthermore, this bill would require the OHV Division to redesign the OHV license plate with the identification number as the most prominent feature.

Off-Highway Vehicle Grant Program

Existing law requires up to 50 percent of the monies in the OHV Trust Fund to be available, upon appropriation by the Legislature, for local assistance, and the remainder of the annual revenue to the fund to be available for support of the OHV Division. Of the local assistance funding (\$18 million in the latest version of the 2007-08 budget bill), 30 percent of the funds are required to be used for restoration activities, and 70 percent for conservation and enforcement.

This bill would revise the current local assistance funding allocation. Specifically, the bill would require 50 percent of the funds be used for operation and maintenance of trails and other facilities, 25 percent for restoration projects, 20 percent for law enforcement, and 5 percent for education programs.

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**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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**ANALYSIS (Continued)****B. Fiscal Analysis**

Based on the information provided by Parks, there are currently 1.1 million registered OHVs. The biennial OHV registration/renewal fee is \$25 per vehicle, of which \$8 is transferred to the OHV Trust Fund, \$7 is provided to the DMV to administer the fee collection, \$6 is provided to the California Highway Patrol to support its operations, and \$4 is distributed to local counties and cities in lieu of local OHV registration taxes. This bill would raise the \$8 portion of the fee dedicated to the OHV Trust Fund to \$50. Parks estimates this fee increase would generate, on average, approximately \$23.1 million in additional revenue to the OHV Fund each year.

This bill would provide additional funding to the OHV grant program. Parks estimates that it would need \$20.4 million and 204 new positions for the expansion of the OHV Program, the development of the proposed guidelines, and meeting other proposed requirements. These costs would be fully funded from the revenue generated by the fee increase, and would not result in a General Fund impact.

The DMV estimates that the ongoing costs to implement this bill would be minimal and could be covered by the current registration fee (\$7) per vehicle that it receives. However, the one-time implementation costs to revise the current OHV license plate and registration fee schedule would be approximately \$1 million from the Motor Vehicle Fuel Account.

The bill would reduce the penalties for violations of unlawful operation of an OHV on public lands, which would have no state fiscal impact because revenues generated by penalties go to local governments.

This bill would also revise the methodology for determining the amount of fuel tax revenue that is annually transferred to the OHV Trust Fund. Existing law requires that a portion of the fuel tax deemed attributable to OHV use by registered OHVs and street vehicles used off-highway be transferred to the OHV Trust Fund. The transferred amount is currently estimated based on a 1990 fuel tax study. Instead of relying on the fuel tax study, this bill would use 2006-07 as a baseline, and would make adjustments in future years based on changes in the number of registered OHVs, visitor use at vehicle recreation areas, and other specified data. The revenue impact of this methodology change is unknown.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO RV	PROP 98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Fund Code
1209/Off-Hwy Vehc	RV	No	U	\$11,550	U	\$23,100	U	\$23,100	0263
2740/DMV	SO	No	C	\$500	C	\$500	C	\$0	0061
3790/Parks & Rec	SO	No	C	\$10,200	C	\$20,400	C	\$20,400	0263

<u>Fund Code</u>	<u>Title</u>
0061	Motor Vehicle Fuel Account, TTF
0263	Off-Highway Vehicle Trust Fund